

FINANCIAL MANAGEMENT FEATURES IN EMERGING ECONOMIES (IN CASE OF UZBEKISTAN)

Voice of Research
Volume 3 Issue 3
December 2014
ISSN No. 2277-7733

Toshmurodova Buvsara

Professor, Tashkent Financial Institute, Tashkent City, Uzbekistan

Abstract

Uzbekistan being one of the rapidly growing countries in Central Asia is characterized as emerging economy. Nowadays, Uzbekistan Government encourages entrepreneurs/companies to manufacture high value added products and become competitive players in global market. Thus, Uzbekistan needs to develop and improve contemporary management systems; including financial management. This article includes interesting information about the history of development of financial management in Uzbekistan. Author tried to describe improvement trends of financial management system in Uzbekistan by using theoretical and scientific analysis. There were written some key issues for development of financial management systems. Author approached to financial management as a system which plays a vital role in development of the whole organization. There was explained financial management domain. It's notable that information system issues of financial management were also described. Paper shows the basic results of research aiming to investigate financial management issues in Uzbekistan. Availability of two things – systematic approach and principle of system is characterized as main condition to develop financial management systems.

Key words : financial management, financial data, financial resources.

Financial management is one of the most convenient and advanced tools that is used to confirm decision-making. Financial management deals with the analysis of profitability, taking into account the costs and projecting future financial results. The data received from financial management, influence the overall development strategy of the company, as they determine the financial requirements for the implementation of strategy. On the basis of the data received there are developed the scheme and structure of investments, investment sources, and there are substantiated data for outside investors.

Profitability analysis and cost accounting allow us to find new methods to control the financial flows of the company in short and long term perspectives. Implementation of the system of financial management gives the company an opportunity to identify their advantages, allowing forming an effective competitive strategy. Thus, the main task of financial management is to increase the market value of the company.

Description the Role and Significance of Financial Management : However, from our point of view, the available techniques and tools analyzed in the literature and used in the national practice, are not considered in the complex, in conjunction with the general system of management of the organization. Moreover, there are not taken into account the need of adaptation of financial management system of a commercial organization, adaptation to cyclical development of the organization. In fact, under the influence of changes in the environment organization changes at every historical stage of transition to market economy, moving from one phase of its life cycle to another. Consequently, there must be changed and the system of financial management (situational approach). Let's consider these interconnections. Operation of any economic entity in its development cycle phases consists of a large number of different processes and sub-processes. Depending on the phase of the cycle, the subject type, size and type of activity the individual processes can take a leading role in it, some can either be absent, or be in a very small size. However, despite the huge variety of processes, it is possible to identify the main ones which cover the activities of any commercial organization. These are manufacturing, sales, finance, and personnel management activities. Management of

each of these processes is an element or control subsystem in the overall system of organization's management. Thus, financial management is a system that has certain regularities and features, more precisely, a subsystem of company's management system. Its implementation aims to achieve general objectives of management. As a controlled system, financial management is largely susceptible to state regulation through taxes, licenses, tariffs, refinancing rates, etc. Controlled system means that financial management is the control object experiencing impact of flow of managerial decisions. Therefore, the basic principle in justifying the method of forming the system of financial management is the principle of system. On the other hand, financial management itself is a system of interconnected elements. We may see the following elements within its framework: organizational structure, personnel, methods, tools, information supply and technical tools that have an impact on the strategic and operational aspects of financial management. Thereby, the financial policy of the organization which mediates the solution of production issues and interconnections with budget, investors, owners and contractors is formed. Solutions of the latter, in turn, correct functioning of the system of financial management, and it is necessary to adapt to changes in the environment. It is important to note that the elements of the system of financial management should not work in isolation, but in conjunction with the life-cycle phases, taking into account the development of the organization. Only then we can talk about the system, and then there is appeared a synergetic effect, leading to the growth of productivity and (or) reduce production costs. With the development of organization information system of financial management undergoes changes. In the evolution phases of organization there is implemented the system of traditional financial accounting – developed forms of primary documentation, generated flow of financial management documents. For the purposes of internal accounting and making financial decisions there are only used some indicators of managerial accounting. With the increasing of sales volume and growth of organization information by financial accounting is no longer meets with the requirements of internal financial management, as designed for external regulators. Therefore, it is

necessary transition from individual indicators to the formulation of managerial accounting system and modernization of the information system in order to improve its efficiency. Decentralization of the organizational structure, allocation of cost-accounting units in the phase of stabilization leads to the necessity of organizing at the department level and creation of a consolidated information system that integrates these services. On the phase of the crisis, management implements restructuring of its business in order to avoid losses. In accordance with the changes in the organizational structure, the information flows change, and the authority to make financial decisions is concentrated in the upper levels of power.

View of Financial Management in Uzbekistan : The changes in Uzbek economy in accordance with the transition to market relations require from leaders of organizations to use new methods and approaches to management technologies, including the field of financial management. Analysis of financial and economic performance of some local companies shows that deterioration of their position is referred to the lack of professionalism and a systematic approach to financial management. At present some businesses in Uzbekistan are focusing on survival by selling liquid fixed assets, searching short term funding sources and diversification of production. But the lack of systematic approaches does not lead them to effectiveness of methods used and spray of available financial resources. Surely, to avoid such drawbacks, it is necessary to build an effective system of financial management within company. In Uzbekistan, certain elements of financial management were present at different stages of economic development, but in the full sense of this term financial management was not implemented. The transition to market economy leads to allocation of financial management functions from the state level and financial relations to self-organization within companies, which creates a formal framework for the implementation of financial management. In the functions of state there are remained the financing of social sphere, and in the commercial organization – self-financing of own development, so the welfare of the organization depends on the correctness of actions and responsiveness of management staff of this organization, rather than state funding. Originally professionals in the field of business economics, planners, accountants, analysts who have gone from accounting and settlement, building plans, forecasts and price calculations to preparation and decision-making on a wide range of company's resource management problems were dealing with the problems of financial management. The financial management was characterized with role of control, strict accounting and optimization of the production process. The latter is associated with the introduction of tax planning at the company. The next stage in the development of financial management was the development of universal rules and procedures for decision-making in this area, which allowed interpreting it as a set of common, standardized financial methods, procedures and technologies. The leaders of companies learn to make their own financial decisions on forming of financial resources and their structure, directions of in-

vesting funds, the use of new financial instruments. At the present stage of development of market relations when companies operate in an uncertain socio-economic environment, their managers understand the need for rapid changes in management, including elements of financial management. This leads to the need of implementation of the system principles. Analysis of different approaches to the definition of financial management domain allows researchers to conclude that the evolution of views on the subject of financial management in a concise, concentrated form repeats broadly historically developed and rotated postulates of good governance in general management. In a systematic manner the content of the stages of development of financial management in Uzbekistan is presented as following: First stage. Formation of independent field of financial management: Strict control, cost optimization and proper conducting of financial transactions; Second stage. Functional approach: allocation of functions of financial planning, organization and control, developing universal procedures for decision-making; Third stage. System approach: determining the elements of financial management system, definition of their interconnections. The evolution shown above is the objective development of theoretical justification of financial management caused by practical needs. Therefore, a number of authors of papers devoted to financial management gravitate toward several directions moving from one approach to another, because there is an objective need to rethink them.

Conclusion : In conclusion, we'd like to note that the financial management, on the one hand, is an art, since the most financial decisions focused on the future financial success of the company, which sometimes involves a purely intuitive combination of financial management methods, based, however, on the knowledge of the fine points of the market economy. On the other hand, it is a science, because acceptance of any financial decision requires not only knowledge of the conceptual foundations of financial management of the firm and scientific methods of their implementation, but also the scientific knowledge of the general laws of development of the market economy.

References

- Bambi Holzer. Financial Bliss: A Couple's Guide to Merging Money Styles and Building a Rich Life Together. AMACOM American Management Association, 2007. Pages 249.
- Carlos Correia, David Flynn, Enrico Uliana, Michael Wormald. Financial Management. Juta and Company Ltd, 2012. Pages 1120
- Financial Management and Governance Issues in Uzbekistan. Report, 2000. Pages 240.
- Maksimova A. I., Moxina M.I., Naumkova O. G. Financial Management. Textbook (in Russian). Perm 2010. Pages 140.
- Sunhindra Bhat. Financial Management: Principles and Practice. Excel Books India, 2008. Pages 885.
- Tulaxodjaeva Minovar. Organization and methods of financial control in the Republic of Uzbekistan. PhD Thesis (in Russian). Moscow - 1998. Pages 480.